

VILLAGE OF CANAL WINCHESTER, OHIO

***CASH BASIS BASIC
FINANCIAL STATEMENTS***

***FOR THE YEAR ENDED
DECEMBER 31, 2008***

NANISA OSBORN, FINANCE DIRECTOR

VILLAGE OF CANAL WINCHESTER, OHIO

FOR THE YEAR ENDED DECEMBER 31, 2008

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Accountant's Compilation Report

To the Members of Council and Mayor
Village of Canal Winchester, Ohio

We have compiled the basic financial statements, as listed in the table of contents, for the Village of Canal Winchester (the "Village"), as of and for the year ended December 31, 2008, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

The financial statements have been prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principals generally accepted in the United States of America.

The management's discussion and analysis, on pages 2 through 12 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have compiled the supplementary information from information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

February 19, 2009

VILLAGE OF CANAL WINCHESTER, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2008 (SEE ACCOUNTANT'S COMPILATION REPORT)

+The management's discussion and analysis of the Village of Canal Winchester's (the "Village") financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2008, within the limitations of the Village's cash basis of accounting. The intent of this discussion and analysis is to look at the Village's financial performance as a whole; readers should also review the cash-basis basic financial statements and the notes to the financial statements to enhance their understanding of the Village's financial performance.

Financial Highlights

Key financial highlights for 2008 are as follows:

- The total net cash assets of the Village decreased \$184,007. Net cash assets of governmental activities decreased \$270,483, which represents a 8.01% decrease over fiscal year 2007. Net cash assets of business-type activities increased \$86,476 or 1.43% from fiscal year 2007.
- General cash receipts accounted for \$11,701,878 or 87.83% of total governmental activities cash receipts. Program specific cash receipts accounted for \$1,621,441 or 12.17% of total governmental activities cash receipts.
- The Village had \$13,593,802 in cash disbursements related to governmental activities; \$1,621,441 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts (primarily taxes) of \$11,701,878 were not adequate to provide for these programs.
- The Village's major governmental funds are the general fund and the debt service fund. The general fund, the Village's largest major fund, had cash receipts and other financing sources of \$8,275,996 in 2008. The cash disbursements and other financing uses of the general fund, totaled \$8,570,652 in 2008. The general fund's cash balance decreased \$294,656 from 2007 to 2008.
- The debt service fund, a Village major fund, had cash receipts and other financing sources of \$4,370,132 in 2008. The debt service fund had cash disbursements of \$4,364,772 in 2008. The debt service fund cash balance increased \$5,360 from 2007 to 2008.
- The Village's major business-type activities funds are the water fund and the sewer fund. Net cash assets for the water fund decreased in 2008 by \$53,187 or 2.38%. The net cash assets for the sewer fund decreased in 2008 by \$12,979 or .35%.

Using these Cash Basis Basic Financial Statements (BFS)

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the Village's cash basis of accounting.

The statement of net assets – cash basis and statement of activities – cash basis provide information about the activities of the whole Village, presenting an aggregate view of the Village's cash basis finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the Village's most significant funds with all other nonmajor funds presented in total in one column. In the case of the Village, there are two major governmental funds. The general fund is the largest major fund.

VILLAGE OF CANAL WINCHESTER, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2008 (SEE ACCOUNTANT'S COMPILATION REPORT)

Reporting the Village as a Whole

Statement of Net Assets and the Statement of Activities

The statement of net assets – cash basis and the statement of activities – cash basis answer the question, How did we do financially during 2008? These statements include *only net assets* using the *cash basis of accounting*, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

These two statements report the Village's net assets and changes in those assets on a cash basis. This change in net cash assets is important because it tells the reader that, for the Village as a whole, the cash basis financial position of the Village has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the Village's property tax base and current property tax laws in Ohio restricting revenue growth, facility conditions, mandated federal and state programs and other factors.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not collected) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

In the statement of net assets – cash basis and the statement of activities – cash basis, the Village is divided into two distinct kinds of activities. Governmental Activities - Most of the Village's programs and services are reported here including human services, health, public safety, public works and general government. Business-Type Activities - These services are provided on a charge for goods or services basis to recover all of the cash disbursements of the goods or services provided. The Village's water, sewer, and storm water enterprise funds are reported as business activities

The statement of net assets – cash basis and the statement of activities – cash basis can be found on pages 13-15 of this report.

Reporting the Village's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Fund financial reports provide detailed information about the Village's major funds. The Village uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Village's most significant funds. The Village's major governmental funds are the general fund, issue II fund and the debt service fund. The analysis of the Village's major governmental funds begins on page 9.

VILLAGE OF CANAL WINCHESTER, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2008 (SEE ACCOUNTANT'S COMPILATION REPORT)

Governmental Funds

Most of the Village's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The governmental fund statements provide a detailed view of the Village's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer cash basis financial resources that can be readily spent to finance various Village programs. Since the Village is reporting on the cash basis of accounting, there are no differences in the net assets and fund cash balances or changes in net assets and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements. However, differences will be apparent when comparing gross revenues and expenses on the fund financial statements to the statement of activities – cash basis due to transfers between governmental funds being eliminated for reporting in the statement of activities – cash basis. The governmental fund statements can be found on pages 16-17 of this report.

The Village's budgetary process accounts for certain transactions on a cash basis. The budgetary statement for the general fund is presented to demonstrate the Village's compliance with annually adopted budgets. The budgetary statement can be found on page 18 of this report.

Proprietary Funds

The Village maintains one type of proprietary fund. Enterprise funds use the same basis of accounting (cash basis) as governmental fund activities; therefore, these statements will essentially match the information provided in statements for the Village as a whole. The Village uses enterprise funds to account for its water, sewer, and storm water operations. The enterprise fund statements can be found on pages 19-20 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the Village. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Village's own programs. The Village's only fiduciary fund type are agency funds. Only the cash held at year end for the agency funds is reported on page 21.

Notes to the Financial Statements

The notes provide additional information that is essential to full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-41 of this report.

VILLAGE OF CANAL WINCHESTER, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2008 (SEE ACCOUNTANT'S COMPILATION REPORT)

Government-Wide Financial Analysis

Recall that the statement of net assets – cash basis provides the perspective of the Village as a whole.

The table below provides a summary of the Village's net cash assets at December 31, 2008 and 2007:

	Net Cash Assets					
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities	Total	Total
	2008	2008	2007	2007	2008	2007
<u>Assets</u>						
Equity in pooled cash and cash equivalents	\$ 3,104,590	\$ 6,135,090	\$ 3,375,073	\$ 6,048,614	\$ 9,239,680	\$ 9,423,687
Total assets	3,104,590	6,135,090	3,375,073	6,048,614	9,239,680	9,423,687
<u>Net cash assets</u>						
Restricted	519,250	-	499,221	-	519,250	499,221
Unrestricted	2,585,340	6,135,090	2,875,852	6,048,614	8,720,430	8,924,466
Total net cash assets	\$ 3,104,590	\$ 6,135,090	\$ 3,375,073	\$ 6,048,614	\$ 9,239,680	\$ 9,423,687

The total net cash assets of the Village decreased \$184,007. Net cash assets of governmental activities decreased \$270,483, which represents a 8.01% decrease over fiscal year 2007. Net cash assets of business-type activities increased \$86,476 or 1.43% from fiscal year 2007.

The balance of government-wide unrestricted net cash assets of \$8,720,430 may be used to meet the government's ongoing obligations to citizens and creditors.

VILLAGE OF CANAL WINCHESTER, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2008 (SEE ACCOUNTANT'S COMPILATION REPORT)

The table below shows the changes in net cash assets for fiscal years 2008 and 2007.

	Change in Net Cash Assets					
	Governmental Activities 2008	Business-type Activities 2008	Governmental Activities 2007	Business-type Activities 2007	2008 Total	2007 Total
Cash Receipts:						
Program cash receipts:						
Charges for services and sales	\$ 690,593	\$ 2,904,610	\$ 1,047,967	\$ 4,068,611	\$ 3,595,203	\$ 5,116,578
Operating grants and contributions	335,910	-	352,055	-	335,910	352,055
Capital grants and contributions	594,938	-	3,572,595	477,900	594,938	4,050,495
Total program cash receipts	1,621,441	2,904,610	4,972,617	4,546,511	4,526,051	9,519,128
General cash receipts:						
Property and other taxes	463,746	-	450,520	-	463,746	450,520
Income tax	4,190,233	-	4,119,825	-	4,190,233	4,119,825
Unrestricted grants	350,897	-	525,968	-	350,897	525,968
Sale of assets	-	-	2,747	-	-	2,747
Sale of notes	-	-	2,500,000	-	-	2,500,000
Sale of bonds	5,790,000	-	-	-	5,790,000	-
Sale of loans	456,000	85,722	-	3,144,049	541,722	3,144,049
Investment earnings	381,841	-	458,524	-	381,841	458,524
Other	69,161	96,101	104,619	81,946	165,262	186,565
Total general cash receipts	11,701,878	181,823	8,162,203	3,225,995	11,883,701	11,388,198
Total cash receipts	13,323,319	3,086,433	13,134,820	7,772,506	16,409,752	20,907,326
Cash Disbursements:						
Security of persons and property	896,463	-	876,485	-	896,463	876,485
Public health services	58,173	-	38,755	-	58,173	38,755
Leisure time activities	392,356	-	367,295	-	392,356	367,295
Community environment	607,354	-	567,025	-	607,354	567,025
Transportation	1,655,683	-	1,153,026	-	1,655,683	1,153,026
General government	1,626,516	-	1,481,497	-	1,626,516	1,481,497
Capital outlay	1,386,530	-	5,240,795	-	1,386,530	5,240,795
Debt service:						
Principal retirement	3,033,385	-	2,998,777	-	3,033,385	2,998,777
Interest and fiscal charges	347,344	-	398,635	-	347,344	398,635
Bond issue costs	147,617	-	-	-	147,617	-
Discount on sale of bonds	9,239	-	-	-	9,239	-
Payment to bond escrow agent	3,433,142	-	-	-	3,433,142	-
Water	-	1,394,773	-	4,895,607	1,394,773	4,895,607
Sewer	-	1,544,194	-	1,441,034	1,544,194	1,441,034
Storm water	-	60,990	-	44,872	60,990	44,872
Total cash disbursements	13,593,802	2,999,957	13,122,290	6,381,513	16,593,759	19,503,803
Change in net cash assets	(270,483)	86,476	12,530	1,390,993	(184,007)	1,403,523
Net cash assets at beginning of year	3,375,073	6,048,614	3,362,543	4,657,621	9,423,687	8,020,164
Net cash assets at end of year	\$ 3,104,590	\$ 6,135,090	\$ 3,375,073	\$ 6,048,614	\$ 9,239,680	\$ 9,423,687

VILLAGE OF CANAL WINCHESTER, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2008 (SEE ACCOUNTANT'S COMPILATION REPORT)

Governmental Activities

Governmental cash assets decreased by \$270,483 in 2008 from 2007.

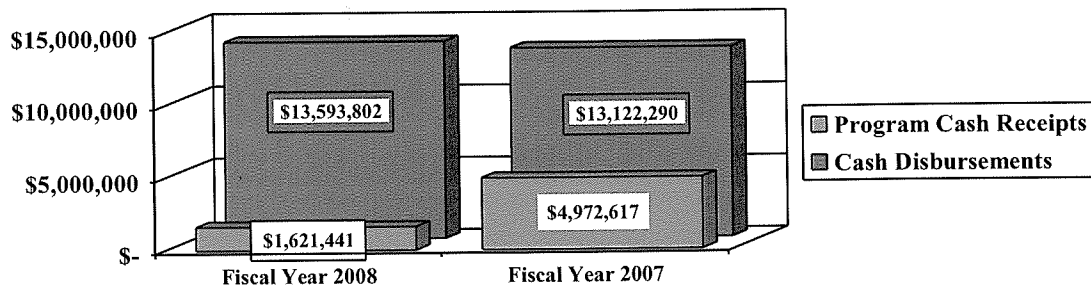
General government represents activities related to the governing body as well as activities that directly support Village programs. In 2008, general government cash disbursements totaled \$1,626,516, or 11.97% of total governmental cash disbursements. General government programs were supported primarily by \$334,479 in direct charges to users for services.

Capital outlay represents activities relating to construction projects within the Village. During 2008, capital outlay cash disbursements totaled \$1,386,530, or 10.20% of total governmental cash disbursements. Capital outlay was supported primarily by \$594,938 in capital grants.

The Village program, transportation, accounted for \$1,655,683 or 12.18% of total governmental cash disbursements. Transportation service programs are primarily supported by user fees, and state and federal grants.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2008 and 2007. That is, it identifies the cost of these services supported by tax receipts and unrestricted state grants and entitlements.

Governmental Activities – Program Cash Receipts vs. Total Cash Disbursements



VILLAGE OF CANAL WINCHESTER, OHIO

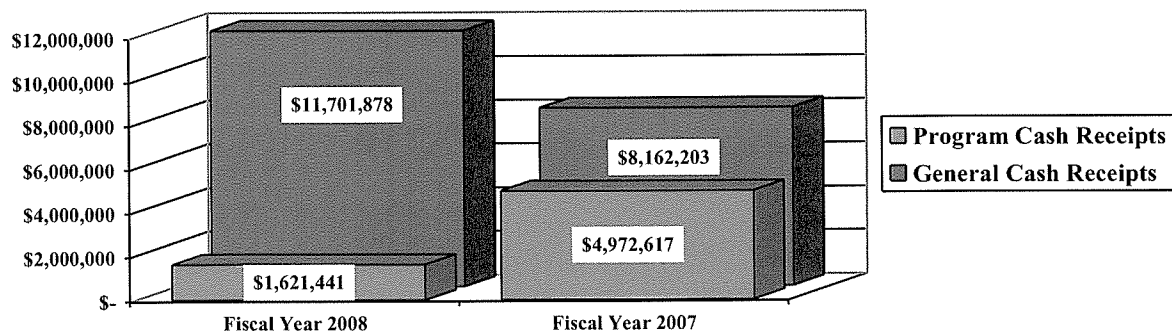
MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2008 (SEE ACCOUNTANT'S COMPILATION REPORT)

The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

	Governmental Activities			
	Total Cost of Services 2008	Net Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2007
Cash disbursements:				
Current:				
Security of persons and property	\$ 896,463	\$ 896,463	\$ 876,485	\$ 876,485
Public health services	58,173	58,173	38,755	38,755
Leisure time activities	392,356	259,952	367,295	200,291
Community environment	607,354	462,728	567,025	191,422
Transportation	1,655,683	1,286,712	1,153,026	773,151
General government	1,626,516	1,278,412	1,481,497	1,044,191
Capital outlay	1,386,530	759,194	5,240,795	1,627,966
Debt service:				
Principal retirement	3,033,385	3,033,385	2,998,777	2,998,777
Interest and fiscal charges	347,344	347,344	398,635	398,635
Bond issue costs	147,617	147,617	-	-
Discount on sale of bonds	9,239	9,239	-	-
Payment to bond escrow agent	3,433,142	3,433,142	-	-
Total	<u>\$ 13,593,802</u>	<u>\$ 11,972,361</u>	<u>\$ 13,122,290</u>	<u>\$ 8,149,673</u>

The dependence upon general cash receipts for governmental activities is apparent; with 88.07% of cash disbursements supported through taxes and other general cash receipts during 2008.

Governmental Activities - General and Program Cash Receipts



Business-Type Activities

The Water and Sewer funds are the Village's two major enterprise funds. These programs had cash receipts of \$2,872,801 and cash disbursements of \$2,938,967 for fiscal year 2008. The net cash assets of the programs decreased \$66,166 from 2007. During 2008, these programs received proceeds of \$85,722 from OWDA loans.

VILLAGE OF CANAL WINCHESTER, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2008 (SEE ACCOUNTANT'S COMPILATION REPORT)

Financial Analysis of the Government's Funds

As noted earlier, the Village uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The Village's governmental funds are accounted for using the cash basis of accounting.

The Village's governmental funds reported a combined fund cash balance of \$3,104,590, which is \$270,483 lower than last year's total of \$3,375,073. The schedule below indicates the fund cash balance and the total change in fund cash balance as of December 31, 2008 and December 31, 2007, for all major and nonmajor governmental funds.

	Fund Cash Balance December 31, 2008	Fund Cash Balance December 31, 2007	Increase/ (Decrease)
Major Funds:			
General	\$ 2,585,340	\$ 2,879,996	\$ (294,656)
Debt Service	1,216	(4,144)	5,360
Other Nonmajor Governmental Funds	<u>518,034</u>	<u>499,221</u>	<u>18,813</u>
Total	<u>\$ 3,104,590</u>	<u>\$ 3,375,073</u>	<u>\$ (270,483)</u>

General Fund

The general fund, the Village's largest major fund, had cash receipts and other financing receipts of \$8,275,996 in 2008. The cash disbursements and other financing disbursements of the general fund, totaled \$8,570,652 in 2008. The general fund's cash balance decreased \$294,656 from 2007 to 2008 directly related to a larger than original planned pay down on the debt for the Diley Road Reconstruction Project.

The table that follows assists in illustrating the cash receipts of the general fund.

	2008 <u>Amount</u>	2007 <u>Amount</u>	<u>Increase</u>	Percentage <u>Change</u>
<u>Cash Receipts:</u>				
Taxes	\$ 4,605,310	\$ 4,514,974	\$ 90,336	2.00 %
Intergovernmental	350,897	525,968	(175,071)	(33.29) %
Special assessments	76,747	76,527	220	0.29 %
Charges for services	126,277	166,633	(40,356)	(24.22) %
Fines, licenses and permits	479,037	796,488	(317,451)	(39.86) %
Investment income	377,468	458,524	(81,056)	(17.68) %
Other	<u>60,260</u>	<u>97,833</u>	<u>(37,573)</u>	<u>(38.41) %</u>
Total	<u>\$ 6,075,996</u>	<u>\$ 6,636,947</u>	<u>\$ (560,951)</u>	<u>(8.45) %</u>

Taxes increased due to new businesses located in the Village including Meijer which opened a new store in February 2008. Intergovernmental receipts decreased as 2007 receipts included a grant from the Department of Natural Resources that was not repeated in 2008. Lower receipts in charges for services and fines, licenses and permits are directly related to the slow down of development in the Village related to residential housing construction. Investment Income decreased due to a decrease in interest rates in the market.

The table that follows assists in illustrating the expenditures of the general fund.

VILLAGE OF CANAL WINCHESTER, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>2008</u> <u>Amount</u>	<u>2007</u> <u>Amount</u>	<u>Increase/</u> <u>Decrease</u>	<u>Percentage</u> <u>Change</u>
<u>Cash Disbursements</u>				
Security of persons and property	\$ 896,463	\$ 876,485	\$ 19,978	2.28 %
Public health service	58,173	38,755	19,418	50.10 %
Leisure time activity	151,677	143,166	8,511	5.94 %
Community environment	607,354	567,025	40,329	7.11 %
Transportation	1,037,025	560,022	477,003	85.18 %
General government	1,626,516	1,481,228	145,288	9.81 %
Capital outlay	246,607	426,668	(180,061)	(42.20) %
Debt service	<u>2,605,955</u>	<u>-</u>	<u>2,605,955</u>	100.00 %
Total	<u>\$ 7,229,770</u>	<u>\$ 4,093,349</u>	<u>\$ 3,136,421</u>	76.62 %

Public health service increased due to Village participation with Canal Winchester Human Services program. Community environment costs increased due to expansion of the GIS program. Transportation expenditures increased due to more amounts spent on street maintenance and repair. Capital Outlay decreased as street projects moved from construction to maintenance and repair. Overall, cash disbursements increased \$3,136,421 from 2007 due primarily to \$2,605,955 in principal and interest payments on notes in 2008.

Debt Service Fund

The debt service fund, a Village major fund, had other financing receipts of \$4,370,132 in 2008. The debt service fund had cash disbursements of \$4,364,772 in 2008. The debt service fund cash balance increased \$5,360 from 2007 to 2008.

Budgeting Highlights - General Fund

The Village's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund.

For the general fund, final budgetary basis receipts of \$8,657,915 were \$2,500,000 more than original budget estimates. Actual cash receipts and other financing receipts of \$8,275,996 were less than final budget estimates by \$381,919. The final budgetary basis disbursements and other financing disbursements of \$9,896,640 were \$2,802,223 above original budget estimates. The actual budgetary basis disbursements and other financing disbursements of \$8,814,581 were \$1,082,059 less than the final budget estimates.

Enterprise Funds

The Village's enterprise funds reported a combined fund cash balance of \$6,135,090, which is \$86,476 above last year's total of \$6,048,614.

The schedule below indicates the fund cash balance and the total change in fund cash balance as of December 31, 2008 and December 31, 2007, for all major and nonmajor enterprise funds:

VILLAGE OF CANAL WINCHESTER, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2008 (SEE ACCOUNTANT'S COMPILATION REPORT)

	Fund Cash Balance December 31, 2008	Fund Cash Balance December 31, 2007	Increase/ (Decrease)
Major Funds:			
Water	\$ 2,180,329	\$ 2,233,516	\$ (53,187)
Sewer	3,738,859	3,751,838	(12,979)
Other Nonmajor Business-Type Fund	215,902	63,260	152,642
Total	<u>\$ 6,135,090</u>	<u>\$ 6,048,614</u>	<u>\$ 86,476</u>

Water Fund

The water fund, a Village major fund, had operating cash receipts of \$1,277,831 and operating cash disbursements of \$916,186 during 2008. The water fund had \$63,755 in nonoperating cash receipts and \$478,587 in nonoperating cash disbursements during 2008. The water fund's net cash assets decreased \$53,187 during 2008 from \$2,233,516 to \$2,180,329.

Sewer Fund

The sewer fund, a Village major fund, had operating cash receipts of \$1,509,248 and operating cash disbursements of \$1,028,438 during 2008. The sewer fund had \$21,967 in non operating cash receipts and \$515,756 in nonoperating cash disbursements. The sewer fund's net cash assets decreased \$12,979 during 2008 from \$3,751,838 to \$3,738,859.

Capital Assets and Debt Administration

Capital Assets

The Village does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as disbursements. The Village had capital outlay disbursements of \$1,831,112 during fiscal year 2008.

Debt Administration

The Village had the following long-term obligations outstanding at December 31, 2008 and 2007.

	Governmental Activities 2008	Governmental Activities 2007
G.O. Bonds	\$ 7,790,000	\$ 5,645,000
Bond anticipation notes	-	2,500,000
OPWC loans	2,511,519	2,168,904
Total long-term obligations	<u>\$ 10,301,519</u>	<u>\$ 10,313,904</u>

VILLAGE OF CANAL WINCHESTER, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2008 (SEE ACCOUNTANT'S COMPILATION REPORT)

	Business-Type Activities 2008	Business-Type Activities 2007
Mortgage revenue bonds	\$ 4,800,000	\$ 5,020,000
OPWC loans	234,115	252,345
OWDA loans	<u>5,339,513</u>	<u>5,472,496</u>
Total long-term obligations	<u>\$ 10,373,628</u>	<u>\$ 10,744,841</u>

Economic Factors and Next Year's Budget and Rates

The following economic factors were taken into consideration in preparing the budget for fiscal year 2009:

The Village is located in Franklin County, Ohio, which has an unemployment rate currently of 3.2 % in January 2009, compared to the 5% state average and the 5.4 % national average.

State funding is uncertain due to budgetary shortfalls at the State level. It appears Local Government Revenue and Local Government Revenue Assistance Funds will continue to be a target for the State of Ohio budgetary shortfalls. These funds represented 3.16% of the Village's general fund revenue in 2008. Property tax revenues are expected to remain consistent as well as expenditures for fiscal year 2009.

These economic factors were considered in preparing the Village's budget for fiscal year 2009. Budgeted revenues and other financing sources in the general fund for fiscal year 2009 are \$6,534,640. The Village has continued to practice conservative budgetary practices in order to preserve a positive financial position in future years.

Contacting the Village's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Ms. Nanisa Osborn, Finance Director, Village of Canal Winchester, 36 South High Street, Canal Winchester, Ohio 43110-1213.

CASH BASIS BASIC
FINANCIAL STATEMENTS

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VILLAGE OF CANAL WINCHESTER, OHIO

STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2008
(SEE ACCOUNTANT'S COMPILATION REPORT)

	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents	\$ 3,104,590	\$ 6,135,090	\$ 9,239,680
Total assets.	3,104,590	6,135,090	9,239,680
Net cash assets:			
Restricted for:			
Leisure time activities	57,238	-	57,238
Transportation	364,507	-	364,507
General government	26,599	-	26,599
Other purposes	32,970	-	32,970
Debt service.	1,216	-	1,216
Capital projects	36,720	-	36,720
Unrestricted	2,585,340	6,135,090	8,720,430
Total net cash assets	\$ 3,104,590	\$ 6,135,090	\$ 9,239,680

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

VILLAGE OF CANAL WINCHESTER, OHIO

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2008
(SEE ACCOUNTANT'S COMPILATION REPORT)

	Cash Disbursements	Charges for Services	Program Cash Receipts	
			Operating and Contributions	Capital Grants and Contributions
Governmental activities:				
Current:				
Security of persons and property	\$ 896,463	\$ -	\$ -	\$ -
Public health services	58,173	-	-	-
Leisure time activities	392,356	132,404	-	-
Community environment	607,354	144,626	-	-
Transportation	1,655,683	78,899	290,072	-
General government	1,626,516	334,479	13,625	-
Capital outlay	1,386,530	185	32,213	594,938
Debt service:				
Principal retirement	3,033,385	-	-	-
Interest and fiscal charges	347,344	-	-	-
Bond issue costs	147,617	-	-	-
Discount on sale of bonds	9,239	-	-	-
Payment to bond escrow agent	3,433,142	-	-	-
Total governmental activities	<u>13,593,802</u>	<u>690,593</u>	<u>335,910</u>	<u>594,938</u>
Business-Type activities:				
Water	1,394,773	1,182,963	-	-
Sewer	1,544,194	1,508,015	-	-
Other business-type activities fund:				
Storm Water	60,990	213,632	-	-
Total business-type activities	<u>2,999,957</u>	<u>2,904,610</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 16,593,759</u>	<u>\$ 3,595,203</u>	<u>\$ 335,910</u>	<u>\$ 594,938</u>

General Cash Receipts and Transfers:

Property and other taxes levied for:

General purposes
Special revenue
Income taxes
Grants and entitlements not restricted to specific programs. . .
Sale of bonds
Sale of loans
Investment receipts
Miscellaneous

Total general cash receipts.

Change in net cash assets

Net cash assets at beginning of year.

Net cash assets at end of year.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Net (Cash Disbursements) Cash Receipts and Changes in Net Cash Assets

Governmental Activities	Business-type Activities	Total
\$ (896,463)	\$ -	\$ (896,463)
(58,173)	-	(58,173)
(259,952)	-	(259,952)
(462,728)	-	(462,728)
(1,286,712)	-	(1,286,712)
(1,278,412)	-	(1,278,412)
(759,194)	-	(759,194)
(3,033,385)	-	(3,033,385)
(347,344)	-	(347,344)
(147,617)	-	(147,617)
(9,239)	-	(9,239)
(3,433,142)	-	(3,433,142)
(11,972,361)	-	(11,972,361)
-	(211,810)	(211,810)
-	(36,179)	(36,179)
-	152,642	152,642
-	(95,347)	(95,347)
(11,972,361)	(95,347)	(12,067,708)
415,077	-	415,077
48,669	-	48,669
4,190,233	-	4,190,233
350,897	-	350,897
5,790,000	-	5,790,000
456,000	85,722	541,722
381,841	-	381,841
69,161	96,101	165,262
11,701,878	181,823	11,883,701
(270,483)	86,476	(184,007)
3,375,073	6,048,614	9,423,687
\$ 3,104,590	\$ 6,135,090	\$ 9,239,680

VILLAGE OF CANAL WINCHESTER, OHIO

STATEMENT OF ASSETS AND FUND CASH BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2008
(SEE ACCOUNTANT'S COMPILATION REPORT)

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in pooled cash and cash equivalents	\$ 2,585,340	\$ 1,216	\$ 518,034	\$ 3,104,590
Total assets	<u>\$ 2,585,340</u>	<u>\$ 1,216</u>	<u>\$ 518,034</u>	<u>\$ 3,104,590</u>
Fund cash balances:				
Reserved for encumbrances.	\$ 243,929	\$ -	\$ 155,129	\$ 399,058
Unreserved, undesignated (deficit), reported in:				
General fund.	2,341,411	-	-	2,341,411
Special revenue funds	-	-	375,405	375,405
Debt service funds.	-	1,216	-	1,216
Capital projects fund.	-	-	(12,500)	(12,500)
Total fund cash balances	<u>\$ 2,585,340</u>	<u>\$ 1,216</u>	<u>\$ 518,034</u>	<u>\$ 3,104,590</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

VILLAGE OF CANAL WINCHESTER, OHIO

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND CASH BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008
(SEE ACCOUNTANT'S COMPILATION REPORT)**

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Cash receipts:				
Taxes	\$ 4,605,310	\$ -	\$ 48,669	\$ 4,653,979
Intergovernmental	350,897	-	917,223	1,268,120
Special assessments	76,747	-	-	76,747
Charges for services	126,277	-	-	126,277
Fines, licenses and permits	479,037	-	3,862	482,899
Interest	377,468	-	4,373	381,841
Rental income	-	-	4,670	4,670
Contributions and donations	-	-	13,625	13,625
Other	60,260	-	8,901	69,161
Total cash receipts	<u>6,075,996</u>	<u>-</u>	<u>1,001,323</u>	<u>7,077,319</u>
Cash disbursements:				
Current:				
Security of persons and property	896,463	-	-	896,463
Public health services	58,173	-	-	58,173
Leisure time activities	151,677	-	240,679	392,356
Community environment	607,354	-	-	607,354
Transportation	1,037,025	-	618,658	1,655,683
General government	1,626,516	-	-	1,626,516
Capital outlay	246,607	-	1,139,923	1,386,530
Debt service:				
Principal retirement	2,500,000	533,385	-	3,033,385
Interest and fiscal charges	105,955	241,389	-	347,344
Bond issue costs	-	147,617	-	147,617
Discount on sale of bonds	-	9,239	-	9,239
Payment to bond escrow agent	-	3,433,142	-	3,433,142
Total cash disbursements	<u>7,229,770</u>	<u>4,364,772</u>	<u>1,999,260</u>	<u>13,593,802</u>
Deficiency of cash receipts under cash disbursements	<u>(1,153,774)</u>	<u>(4,364,772)</u>	<u>(997,937)</u>	<u>(6,516,483)</u>
Other financing receipts (disbursements):				
Sale of bonds	2,200,000	3,590,000	-	5,790,000
Sale of loans	-	-	456,000	456,000
Transfers in	-	780,132	560,750	1,340,882
Transfers out	<u>(1,340,882)</u>	<u>-</u>	<u>-</u>	<u>(1,340,882)</u>
Total other financing receipts	<u>859,118</u>	<u>4,370,132</u>	<u>1,016,750</u>	<u>6,246,000</u>
Net change in fund cash balances	(294,656)	5,360	18,813	(270,483)
Fund cash balances at beginning of year	2,879,996	(4,144)	499,221	3,375,073
Fund cash balances at end of year	<u>\$ 2,585,340</u>	<u>\$ 1,216</u>	<u>\$ 518,034</u>	<u>\$ 3,104,590</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

VILLAGE OF CANAL WINCHESTER, OHIO

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND CASH
BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2008
(SEE ACCOUNTANT'S COMPILATION REPORT)

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive
Budgetary basis receipts:				
Taxes	\$ 4,667,400	\$ 4,894,786	\$ 4,605,310	\$ (289,476)
Intergovernmental.	355,628	372,953	350,897	(22,056)
Special assessments.	77,782	81,571	76,747	(4,824)
Charges for services	127,980	134,214	126,277	(7,937)
Fines, licenses and permits	485,496	509,148	479,037	(30,111)
Interest	382,557	401,195	377,468	(23,727)
Other	61,072	64,048	60,260	(3,788)
Total budgetary basis receipts	<u>6,157,915</u>	<u>6,457,915</u>	<u>6,075,996</u>	<u>(381,919)</u>
Budgetary basis disbursements:				
Current:				
Security of persons and property	917,717	938,337	897,234	41,103
Public health services.	41,500	44,773	58,173	(13,400)
Leisure time activities	220,000	220,000	218,548	1,452
Community environment.	725,765	725,765	626,317	99,448
Transportation	1,561,679	1,627,679	1,061,126	566,553
General government	1,847,246	1,938,621	1,759,739	178,882
Capital outlay	317,978	332,978	246,607	86,371
Debt service:				
Principal retirement	-	2,500,000	2,500,000	-
Interest and fiscal charges	-	105,955	105,955	-
Total budgetary basis disbursements.	<u>5,631,885</u>	<u>8,434,108</u>	<u>7,473,699</u>	<u>960,409</u>
Excess of budgetary basis receipts over budgetary basis disbursements.	<u>526,030</u>	<u>(1,976,193)</u>	<u>(1,397,703)</u>	<u>578,490</u>
Other financing receipts (disbursements):				
Sale of bonds	-	2,200,000	2,200,000	-
Transfers out	<u>(1,462,532)</u>	<u>(1,462,532)</u>	<u>(1,340,882)</u>	<u>121,650</u>
Total other financing receipts (disbursements).	<u>(1,462,532)</u>	<u>737,468</u>	<u>859,118</u>	<u>121,650</u>
Net change in fund cash balance	(936,502)	(1,238,725)	(538,585)	700,140
Fund cash balance at beginning of year	2,588,741	2,588,741	2,588,741	-
Prior year encumbrances appropriated	<u>291,255</u>	<u>291,255</u>	<u>291,255</u>	<u>-</u>
Fund cash balance at end of year.	<u>\$ 1,943,494</u>	<u>\$ 1,641,271</u>	<u>\$ 2,341,411</u>	<u>\$ 700,140</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

VILLAGE OF CANAL WINCHESTER, OHIO
STATEMENT OF CASH BASIS ASSETS AND NET CASH ASSETS
ENTERPRISE FUNDS
DECEMBER 31, 2008
(SEE ACCOUNTANT'S COMPILATION REPORT)

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Other Enterprise	Total
Assets:				
Current assets:				
Equity in pooled cash and cash equivalents.	\$ 2,180,329	\$ 3,738,859	\$ 215,902	\$ 6,135,090
Total assets	2,180,329	3,738,859	215,902	6,135,090
Net cash assets:				
Unrestricted.	2,180,329	3,738,859	215,902	6,135,090
Total net cash assets.	<u>\$ 2,180,329</u>	<u>\$ 3,738,859</u>	<u>\$ 215,902</u>	<u>\$ 6,135,090</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

VILLAGE OF CANAL WINCHESTER, OHIO

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN NET CASH ASSETS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008
(SEE ACCOUNTANT'S COMPILATION REPORT)

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Other Enterprise	Total
Operating cash receipts:				
Charges for services	\$ 1,125,140	\$ 1,232,855	\$ 213,632	\$ 2,571,627
Capacity fees	57,823	275,160	-	332,983
Other operating cash receipts	94,868	1,233	-	96,101
Total operating cash receipts	<u>1,277,831</u>	<u>1,509,248</u>	<u>213,632</u>	<u>3,000,711</u>
Operating cash disbursements:				
Personal services	325,262	319,609	37,491	682,362
Transportation	10,297	9,908	-	20,205
Contractual services	146,751	380,184	18,651	545,586
Materials and supplies	219,915	63,594	4,248	287,757
Capital outlay	189,439	255,143	-	444,582
Other	24,522	-	600	25,122
Total operating cash disbursements	<u>916,186</u>	<u>1,028,438</u>	<u>60,990</u>	<u>2,005,614</u>
Operating cash receipts over operating cash disbursements	<u>361,645</u>	<u>480,810</u>	<u>152,642</u>	<u>995,097</u>
Nonoperating cash receipts (disbursements):				
OWDA loans	63,755	21,967	-	85,722
Debt service:				
Principal retirement	(170,494)	(286,441)	-	(456,935)
Interest and fiscal charges	(308,093)	(229,315)	-	(537,408)
Total nonoperating cash receipts (disbursements). . .	<u>(414,832)</u>	<u>(493,789)</u>	<u>-</u>	<u>(908,621)</u>
Changes in net cash assets.	(53,187)	(12,979)	152,642	86,476
Net cash assets at beginning of year	<u>2,233,516</u>	<u>3,751,838</u>	<u>63,260</u>	<u>6,048,614</u>
Net cash assets at end of year	<u>\$ 2,180,329</u>	<u>\$ 3,738,859</u>	<u>\$ 215,902</u>	<u>\$ 6,135,090</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

VILLAGE OF CANAL WINCHESTER, OHIO

STATEMENT OF FIDUCIARY ASSETS AND NET CASH ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2008
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 132,385
Total assets	<u>\$ 132,385</u>
 Net cash assets:	
Unrestricted.	\$ 132,385
Total net cash assets	<u>\$ 132,385</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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VILLAGE OF CANAL WINCHESTER, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008 (SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 1 - DESCRIPTION OF THE VILLAGE

The Village of Canal Winchester (the "Village") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The Village operates under a Council-Mayor form of government and provides the following services: police protection (through Fairfield County), water and sewer utility services, park operations, street maintenance and repair, as well as general governmental services.

Management believes the financial statements included in this report represent all of the funds of the Village over which the Village officials are financially accountable.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.D., these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In cases where these cash basis statements contain items that are the same as, or similar to, those items in the financial statements prepared in conformity with GAAP, similar informative disclosures are provided. Following are the more significant of the Village's accounting policies:

A. Reporting Entity

For financial reporting purposes, the Village's BFS include all funds, agencies, boards, commissions, and departments for which the Village is financially accountable. Financial accountability, as defined by the GASB, exists if the Village appoints a voting majority of an organization's governing board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific burdens on, the Village. The Village may also be financially accountable for governmental organizations with a separately elected Governing Board, a Governing Board appointed by another government, or a jointly appointed Board that is fiscally dependent on the Village. The Village also took into consideration other organizations for which the nature and significance of their relationship with the Village are such that exclusion would cause the Village's basic financial statements to be misleading or incomplete. The Village has no component units. The following organization is described due to its relationship to the Village:

Canal Winchester Industry and Commerce Corporation (the "CWICC")

The CWICC is a legally separate, non-profit corporation created on August 22, 1994 pursuant of the provisions of Ohio Rev. Code Section 1724.10. The CWICC is governed by a five-member Board of Trustees. Two of the members are from elected Village officials and the remaining three members are elected by the CWICC. Vacancies are appointed by the remaining Trustees by an affirmative majority vote. The CWICC's sole purpose is to carry out the Plan of Industrial, Commercial, Distribution and Research Development for the Village. The Village is not required under this agreement to provide any financial contribution to the CWICC. The Village did not expend any money in 2008 to the CWICC. The CWICC can incur debt, mortgage its property acquired, otherwise issue its obligations for the purpose of acquiring, constructing, improving and equipping buildings, structures and other properties and acquiring sites. The financial activities of the CWICC are not included in the financial statements of the Village.

VILLAGE OF CANAL WINCHESTER, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008 (SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Basis of Presentation

The Village's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities and a fund financial statement which provide a more detailed level of financial information.

Government-wide Statement of Activities - Cash Basis - This statement displays information about the Village as a whole, except for fiduciary funds. The statement distinguishes between those activities of the Village that are governmental and those that are considered business-type activities.

The government-wide statement of activities - cash basis compares disbursements with program receipts for each segment of the business-type activities of the Village and for each function or program of the Village's governmental activities. These disbursements are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Receipts which are not classified as program receipts are presented as general receipts of the Village. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing on the cash basis or draws from the general receipts of the Village.

Fund Financial Statements - Fund financial statements report detailed information about the Village. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

Proprietary funds distinguish operating transactions from nonoperating transactions. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating transactions of the Village's proprietary funds are charges for sales and services, and include personnel and other disbursements related to the operations of the enterprise activity. All other receipts and disbursements not meeting these definitions are reported as nonoperating transactions.

C. Fund Accounting

The Village uses funds to maintain its financial records during the year. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts. The Village classifies each fund as either governmental, proprietary or fiduciary.

Governmental Funds - The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants) and other non-exchange transactions as governmental funds. The following are the Village's major governmental funds:

General fund - This fund is used to account for all financial resources of the Village except those required to be accounted for in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

VILLAGE OF CANAL WINCHESTER, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Debt service fund - This fund accounts for all transactions relating to the payment of debt.

Other governmental funds of the Village are used to account for grants and other receipts whose use is restricted to a particular purpose and for receipts and disbursements used for the acquisition, construction and improvement of capital facilities.

Proprietary Funds - These funds are used to account for activities that are financed and operated in a manner similar to private business enterprises where the intent is that costs of providing services to the general public on a continuing basis be financed or recovered primarily through user charges. The following are the Village's major enterprise funds:

Water fund - This fund accounts for the provision of water treatment and distribution to its residential and commercial users located within the Village.

Sewer fund - This fund accounts for the user charges and expenses of maintaining the sewer lines and facilities of the Village.

The Village's nonmajor enterprise fund accounts for storm water operations.

Fiduciary Funds - Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. The Village has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Village has two agency funds which account for the Village's Mayor's Court and for monies where the Village's role is purely custodial.

D. Basis of Accounting

The Village's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described above.

VILLAGE OF CANAL WINCHESTER, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008 (SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, except agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each department within each fund. Any budgetary modifications at this level may only be made by resolution of the Village's Council.

Tax Budget:

A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. The expressed purpose of the tax budget is to reflect the need for existing (or increased) tax rates.

Estimated Resources:

The County Budget Commission determines if the budget substantiates a need to levy the full amount of authorized property tax rates and reviews receipt estimates. The County Budget Commission certifies its actions to the Village by September 1. As part of this certification, the Village receives the official certificate of estimated resources, which states the projected receipts of each fund. On or about January 1, the certificate is amended to include unencumbered fund balances at December 31 of the preceding year. Further amendments may be made during the year if the Village determined that receipts collected will be greater than or less than the prior estimate and the Budget Commission finds the revised estimate to be reasonable. Prior to December 31, the Village must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. The amounts reported within the budgetary statements reflect the original and final estimated resources as certified by the County Budget Commission.

Appropriations:

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriations measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources. The Village legally adopted appropriation amendments during 2008. The budgetary statement reflects the original and final appropriations as approved by Council.

Encumbrances:

As part of the formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation.

VILLAGE OF CANAL WINCHESTER, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008
(SEE ACCOUNTANT'S COMPILATION REPORT)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

F. Cash and Cash Equivalents

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the Village's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements. Interest earnings are allocated as authorized by State statute.

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments. Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During 2008, the Village invested in State Treasury Asset Reserve of Ohio (STAR Ohio), federal agency securities, repurchase agreements and U.S. government money market funds. Investments are reported at cost.

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price, which is the price the investment could be sold for on December 31, 2008.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the general fund during 2008 were \$377,468 which includes \$266,440 assigned from other Village funds.

G. Capital Assets

Acquisition of property, plant, and equipment purchased are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

H. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the Village (See Note 2.D.).

I. Long-term Obligations

Bonds and other long-term obligations are not recognized as a liability in the financial statements under the cash basis of accounting. These statements report proceeds of debt when cash is received, and debt service disbursements for debt principal payments.

VILLAGE OF CANAL WINCHESTER, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008
(SEE ACCOUNTANT'S COMPILATION REPORT)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

J. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The Village first applies restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

K. Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general receipts.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchasing funds. Nonexchange flows of cash from one fund to another are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the basic financial statements.

L. Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

M. Inventory and Prepaid Items

The Village reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

N. Interfund Receivables/Payables

The Village reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

O. Fund Balance Reserves

The Village reserves any portion of fund balance which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2008.

VILLAGE OF CANAL WINCHESTER, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008 (SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For 2008, the Village has implemented GASB Statement No. 45, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions" and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 establishes uniform standards of financial reporting for other postemployment benefits and increases the usefulness and improves the faithfulness of representations in the financial reports. The implementation of GASB Statement No. 45 did not have an effect on the financial statements of the Village; however, certain disclosures related to postemployment benefits (see Note 9) have been modified to conform to the new reporting requirements.

GASB Statement No. 50 establishes standards that more closely align the financial reporting requirements for pensions with those of other postemployment benefits. The implementation of GASB Statement No. 50 did not have an effect on the financial statements of the Village.

NOTE 4 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the Village into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Village has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

VILLAGE OF CANAL WINCHESTER, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Protection of the Village's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Village by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash on Hand

At year-end, the Village had \$150 in undeposited cash on hand which is included on the financial statements of the Village as part of "equity in pooled cash and cash equivalents."

B. Deposits with Financial Institutions

At December 31, 2008, the carrying amount of all Village deposits was \$724,000 exclusive of the \$1,449,363 repurchase agreement included in investments below. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2008, \$145,750 of the Village's bank balance of \$245,750 was exposed to custodial risk as discussed below, while \$100,000 was covered by the Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the Village's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Village.

VILLAGE OF CANAL WINCHESTER, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008 (SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Investments

As of December 31, 2008, the Village had the following investments and maturities:

Investment type	Fair Value	Investment Maturities				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
U.S. Government money market	\$ 557,574	\$ 557,574	\$ -	\$ -	\$ -	\$ -
STAR Ohio	160,683	160,683	-	-	-	-
Repurchase agreement	1,449,363	1,449,363	-	-	-	-
FHLMC	1,298,700	-	-	-	-	1,298,700
FHLB	2,234,410	-	-	-	499,500	1,734,910
FNMA	2,947,185	-	-	-	-	2,947,184
Total	<u>\$ 8,647,915</u>	<u>\$ 2,167,620</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 499,500</u>	<u>\$ 5,980,794</u>

The weighted average maturity of investments is 2.29 years.

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the Village's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: The Village's investments in federal agency securities, and the federal agency securities that underlie the Village's repurchase agreement, were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio an AAAM money market rating.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the Village's name. Of the Village's investment in repurchase agreements, the entire balance is collateralized by underlying securities that are held by the investment's counterparty, not in the name of the Village. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of securities subject to a repurchase agreement by 2%. The Village has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the finance director or qualified trustee.

VILLAGE OF CANAL WINCHESTER, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008 (SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Concentration of Credit Risk: The Village places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the Village at December 31, 2008:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
U.S. Government money market	\$ 557,574	6.45
STAR Ohio	160,683	1.86
Repurchase agreement	1,449,363	16.76
FHLMC	1,298,700	15.02
FHLB	2,234,410	25.84
FNMA	2,947,185	34.07
	<u>\$ 8,647,915</u>	<u>100.00</u>

D. Reconciliation of Cash and Investments to the Statement of Net Assets - Cash Basis

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of December 31, 2008:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 724,000
Investments	8,647,915
Cash on hand	150
Total	<u>\$ 9,372,065</u>

<u>Cash and investments per statement of net assets - cash basis</u>	
Governmental activities	\$ 3,104,590
Business-type activities	6,135,090
Agency fund	132,385
Total	<u>\$ 9,372,065</u>

VILLAGE OF CANAL WINCHESTER, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008 (SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 5 - DEBT OBLIGATIONS

A. Governmental Activities

During 2008, the following changes occurred in the governmental activities long-term obligations:

Governmental activities:	Interest Rate	Maturity Date	Balance at 12/31/07	Additions	Reductions	Balance at 12/31/08	Amounts Due in One Year
<u>General obligation bonds</u>							
G.O. bonds, series 1993	6.00%	11/15/2013	\$ 400,000	\$ -	\$ (400,000)	\$ -	\$ -
G.O. special assessment bonds, 1994	7.00%	12/01/2014	190,000	-	(20,000)	170,000	25,000
G.O. bonds, series 1999	4.85%	12/01/2019	2,825,000	-	(2,825,000)	-	-
G.O. bonds, series 2004	4.23%	12/01/2024	2,230,000	-	(115,000)	2,115,000	115,000
G.O. various purpose bonds, 2008	3.92%	12/01/2028	-	5,790,000	(285,000)	5,505,000	370,000
Total general obligations bonds			5,645,000	5,790,000	(3,645,000)	7,790,000	510,000
<u>Notes payable</u>							
Diley Rd. assessment notes	4.25%	10/30/2008	2,500,000	-	(2,500,000)	-	-
Total bond anticipation notes			2,500,000	-	(2,500,000)	-	-
<u>OPWC Loans</u>							
#CC05B - Washington St.	0.00%	7/01/2020	508,517	-	(39,117)	469,400	39,117
#CC02D - North High St.	0.00%	7/01/2023	300,759	-	(18,797)	281,962	18,797
#CC03E - West Waterloo #1	0.00%	1/01/2024	496,358	-	(30,082)	466,276	30,082
#CC04F - West Waterloo #2	0.00%	1/01/2025	863,270	-	(25,389)	837,881	50,781
#CC04K - Columbus St.	0.00%	1/1/2029	-	456,000	-	456,000	11,400
Total OPWC loans			2,168,904	456,000	(113,385)	2,511,519	150,177
Total governmental activities long-term obligations			\$ 10,313,904	\$ 6,246,000	\$ (6,258,385)	\$ 10,301,519	\$ 660,177

General Obligation Bonds:

The Village issued \$990,000 in general obligation bonds on July 15, 1993 for the purpose of extending sewer and water lines, and making various improvements to the Village, including repairing and replacing utilities and electric lines, improving streets, sidewalks, and parking areas. Outstanding bonds in the amount of \$400,000 were currently refunded during 2008.

On December 1, 1994, the Village issued \$370,000 in general obligation special assessment bonds. The bonds bear an annual interest rate of 7.00% and mature on December 1, 2014.

The Village issued \$4,000,000 in general obligation bonds on May 26, 1999 for various Village improvements. Outstanding bonds in the amount of \$2,825,000 were advance refunded during 2008.

The Village issued \$2,549,999 in general obligation bonds during 2004. The bonds bear an annual interest rate of 4.23% and mature on December 1, 2024.

VILLAGE OF CANAL WINCHESTER, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 5 - DEBT OBLIGATIONS - (Continued)

On September 18, 2008, the Village issued \$5,790,000 in general obligation various purpose refunding bonds to currently refund the 1993 general obligation bonds, to currently refund notes maturing in 2008, and to advance refund the 1999 general obligation bonds. The refunded debt is considered defeased (in-substance).

The 2008 general obligation various purpose refunding issue is comprised of current interest bonds, par value \$5,790,000, with an annual interest rate ranging from 3.00% - 4.50% and mature on December 1, 2028. The reacquisition price exceeded the net carrying amount of the old debt by \$208,142.

The following is a summary of the Village's future annual debt service requirements for the general obligation bonds:

Fiscal Year Ended December 31,	General Obligation Bonds Payable		
	Principal	Interest	Total
2009	\$ 510,000	\$ 284,123	\$ 794,123
2010	530,000	268,168	798,168
2011	545,000	251,363	796,363
2012	560,000	233,832	793,832
2013	575,000	215,333	790,333
2014-2018	2,529,243	923,339	3,452,582
2019-2023	1,610,757	528,517	2,139,274
2024-2028	930,000	111,037	1,041,037
Total	<u>\$ 7,790,000</u>	<u>\$ 2,815,712</u>	<u>\$ 10,605,712</u>

Notes payable - The Village issued \$2,500,000 in assessment notes payable on November 1, 2007 at an interest rate of 4.25%. The notes were issued for improvement, construction, and reconstruction of Diley Rd. The notes matured on October 30, 2008, and were retired through the 2008 general obligation various purpose bond issuance. Principal and interest payments were made out of the general fund.

OPWC Loans - Ohio Public Works Commission Loans (OPWC) have been issued for various street improvements. The loans are interest free and principal payments are made from the debt service fund.

The following is a summary of the Village's future annual debt service principal and interest requirements for the OPWC loans:

VILLAGE OF CANAL WINCHESTER, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 5 - DEBT OBLIGATIONS - (Continued)

Fiscal Year Ended December 31,	OPWC Loans Payable		
	Principal	Interest	Total
2009	\$ 150,177	\$ -	\$ 150,177
2010	161,578	-	161,578
2011	161,579	-	161,579
2012	161,578	-	161,578
2013	161,578	-	161,578
2014-2018	807,883	-	807,883
2019-2023	690,534	-	690,534
2024-2028	205,212	-	205,212
2029	11,400	-	11,400
Total	<u>\$ 2,511,519</u>	<u>\$ -</u>	<u>\$ 2,511,519</u>

VILLAGE OF CANAL WINCHESTER, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008 (SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 5 - DEBT OBLIGATIONS - (Continued)

B. Business-Type Activities

During 2008, the following changes occurred in the business-type activities long-term obligations:

	Interest Rate	Maturity Date	Balance at 12/31/07	Additions	Reductions	Balance at 12/31/08	Amounts Due in One Year
<u>Revenue bonds</u>							
Sewer mortgage revenue bonds	4.31%	12/01/2024	\$ 5,020,000	\$ -	\$ (220,000)	\$ 4,800,000	\$ 230,000
Total revenue bonds			5,020,000	-	(220,000)	4,800,000	230,000
<u>OPWC Loans</u>							
#CT212 - Hocking St.	0.00%	1/01/2012	20,068	-	(4,460)	15,608	4,460
#CC808 - Columbus & Washington	3.00%	1/01/2016	47,205	-	(4,954)	42,251	5,103
#CC01C - Sanitary sewer rehab	3.00%	1/01/2024	185,072	-	(8,816)	176,256	9,083
Total OPWC loans			252,345	-	(18,230)	234,115	18,646
<u>OWDA Loans</u>							
#3081 - Elevated storage tank construction	6.02%	7/01/2014	265,205	-	(19,003)	246,202	39,145
#1502 - Water improvements	8.26%	1/01/2014	917,502	-	(62,126)	855,376	129,384
#1501 - Sewer improvements	7.36%	7/01/2008	38,622	-	(38,622)	-	-
#4523 - Water treatment plant construction	2.75%	7/01/2027	3,431,212	79,189	(77,616)	3,432,785	-
#4672 - Well field & raw water line	2.75%	7/01/2027	819,955	6,533	(21,338)	805,150	-
Total OWDA loans			5,472,496	85,722	(218,705)	5,339,513	168,529
Total business-type activities			\$ 10,744,841	\$ 85,722	\$ (456,935)	\$ 10,373,628	\$ 417,175

Revenue Bonds - The Village issued \$5,650,000 in sewer mortgage revenue bonds on December 1, 2004 for acquiring, constructing and operating improvements to the sanitary sewer collection and treatment system, due in annual installments of varying amounts, bearing interest at a variable rate through 2024.

The following is a summary of the Village's future annual debt service requirements for the revenue bonds:

VILLAGE OF CANAL WINCHESTER, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008 (SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 5 - DEBT OBLIGATIONS - (Continued)

Fiscal Year Ended December 31,	Revenue Bonds Payable		
	Principal	Interest	Total
2009	\$ 230,000	\$ 191,065	\$ 421,065
2010	235,000	184,740	419,740
2011	240,000	177,690	417,690
2012	250,000	169,890	419,890
2013	255,000	161,390	416,390
2014-2018	1,435,000	658,264	2,093,264
2019-2023	1,755,000	344,126	2,099,126
2024	400,000	18,000	418,000
Total	<u>\$ 4,800,000</u>	<u>\$ 1,905,165</u>	<u>\$ 6,705,165</u>

The Village has pledged future sewer customer revenues, net of specified operating expenses, to acquire, construct, and make operating improvements to the sanitary sewer collection and treatment system. The sewer revenue bonds are payable solely from sewer customer net revenues and are payable through 2024. Annual principal and interest payments on the bonds are expected to require approximately 86.64 percent of net revenues. The total principal and interest remaining to be paid on the water revenue bonds is \$6,705,165. Principal and interest paid for the current year and total customer net revenues were \$416,565 and \$480,810, respectively.

OPWC Loans – OPWC loans have been issued finance waterline construction and sanitary sewer rehabilitation. Principal and interest payments are due in semi-annual installments.

The following is a summary of the Village's future annual debt service principal and interest requirements for the OPWC loans:

Fiscal Year Ended December 31,	OPWC Loans Payable		
	Principal	Interest	Total
2009	\$ 18,646	\$ 6,450	\$ 25,096
2010	19,074	6,021	25,095
2011	19,515	5,579	25,094
2012	17,741	5,124	22,865
2013	15,980	4,655	20,635
2014-2018	71,135	16,214	87,349
2019-2023	64,978	6,537	71,515
2024	7,046	106	7,152
Total	<u>\$ 234,115</u>	<u>\$ 50,686</u>	<u>\$ 284,801</u>

VILLAGE OF CANAL WINCHESTER, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008 (SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 5 - DEBT OBLIGATIONS - (Continued)

OWDA Loans - The Village has entered into debt financing arrangements through the OWDA to fund construction projects. The amounts due to the OWDA are payable solely from sewer and water revenues. The loan agreements function similar to a line-of-credit agreement. At December 31, 2008, the Village has outstanding borrowings of \$5,339,513. The loan agreements require semi-annual payments based on the permissible borrowings rather than the actual amount loaned. These payments are reflected in the future maturities of principal and interest table and are subject to revision if the total amount is not drawn down. The water treatment plant construction and the well field and raw water line projects financed through OWDA loans are not closed out as of December 31, 2008. Future annual debt service principal and interest requirements for these loans, which have balances at December 31, 2008 of \$3,432,785 and \$805,150 are not available.

The following is a summary of the Village's future annual debt service principal and interest requirements for enterprise fund obligations:

Fiscal Year Ended December 31,	OWDA Loans Payable		
	Principal	Interest	Total
2009	\$ 168,529	\$ 86,375	\$ 254,904
2010	181,572	72,432	254,004
2011	195,640	58,364	254,004
2012	210,815	43,189	254,004
2013	227,183	26,821	254,004
2014	117,839	9,164	127,003
Total	\$ 1,101,578	\$ 296,345	\$ 1,397,923

NOTE 6 - PROPERTY TAX

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the Village. Real property taxes and public utility taxes are levied after October 1 on the assessed value as of the prior January 1, the tax lien date. Assessed values are established by State law at 35 percent of appraised market value, as established by the County Auditor. All real property is required to be revalued every six years. Real property taxes are payable annually or semiannually. The first payment for 2008 was due January 1, with the remainder payable June 20.

Tangible personal property tax revenues received in 2008 (other than public utility property) represent the collection of 2007 taxes. Tangible personal property taxes received in 2008 were levied after October 1, 2006, on the true value as of December 31, 2007. In prior years, tangible personal property assessments were twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Tangible personal property tax is being phased out - the assessment percentage for property, including inventory, is 6.25% for 2008. This percentage will be reduced to zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

VILLAGE OF CANAL WINCHESTER, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
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(SEE ACCOUNTANT'S COMPILATION REPORT)**

NOTE 6 - PROPERTY TAX - (Continued)

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the Village due to the phasing out of the tax. In calendar years 2006-2010, the Village will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the Village. The County Auditor periodically remits to the Village its portion of the taxes collected.

The assessed values of real and tangible personal property upon which 2008 property tax receipts were based are as follows:

	<u>2008</u>
Real property tax	\$ 207,635,480
Public utility tangible personal property	2,287,720
Tangible personal property	<u>6,727,885</u>
Total assessed valuation	<u>\$ 216,651,085</u>

NOTE 7 - LOCAL INCOME TAX

This locally levied tax of 2.0% applies to gross salaries, wages and other personal service compensation earned by residents both in and out of the Village and to earnings of nonresidents (except certain transients) earned in the Village. The Village gives a 100% credit to the tax paid to another municipality to the maximum of the total amount assessed. It also applies to the net income of business organizations located within the Village. The Village of Columbus administers and collects income taxes for the Village. Payments, net of collection fees, are remitted monthly for tax receipts received by the Village of Columbus in the prior month. The Village collected \$4,190,233 in 2008 in income tax receipts which are receipted directly into the general fund.

VILLAGE OF CANAL WINCHESTER, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008 (SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 8 - PENSION PLAN

Ohio Public Employees Retirement System

Plan Description - The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the Traditional Pension Plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the Member-Directed Plan. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety divisions exist only within the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2008, member and contribution rates were consistent across all three plans. While members in the State and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Plan. The 2008 member contribution rates were 10.00% for members in State and local classifications. Public safety and law enforcement members contributed 10.10%.

The Village's contribution rate for 2008 was 14.00%, except for those plan members in law enforcement or public safety, for whom the Village's contribution was 17.40% of covered payroll. For 2008, a portion equal to 7.00% of covered payroll was allocated to fund the post-employment health care plan.

The Village's contribution rate for pension benefits for 2008 was 7.00%, except for those plan members in law enforcement and public safety. For those classifications, the Village's pension contributions were 10.40% of covered payroll. The Village's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2008, 2007, and 2006 were \$112,625, \$125,297 and \$133,525, respectively; 100% has been contributed for 2008, 2007 and 2006.

NOTE 9 - POSTRETIREMENT BENEFIT PLANS

Ohio Public Employees Retirement System

Plan Description - OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

VILLAGE OF CANAL WINCHESTER, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008 (SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 9 - POSTRETIREMENT BENEFIT PLANS - (Continued)

To qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have ten years or more of qualifying Ohio service credit. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy – The post-employment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). State statute requires that public employers fund post-employment healthcare through contributions to OPERS. A portion of each employer's contribution to the Traditional or Combined Plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2008, local government employers contributed 14.00% of covered payroll (17.40% for public safety and law enforcement). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The amount of the employer contributions which was allocated to fund post-employment healthcare for 2008 was 7.00% of covered payroll.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment healthcare plan.

The Village's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2008, 2007, and 2006 were \$112,625, \$82,531, and \$55,062, respectively 100% has been contributed for 2008, 2007 and 2006.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

NOTE 10 - RISK MANAGEMENT

The Village is founding member of the Central Ohio Health Care Consortium, a risk-sharing pool, which provides employee health care benefits for all full-time employees who wish to participate in the plan. The pool consists of seven political subdivisions that pool risk for basic hospital, surgical and prescription drug coverage. The Village pays monthly contributions to the Consortium, which is used to cover claims and administrative costs, and to purchase excess loss insurance for the plan. The Consortium has entered into an agreement for individual and aggregate excess loss coverage with a commercial insurance carrier.

VILLAGE OF CANAL WINCHESTER, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008
(SEE ACCOUNTANT'S COMPILATION REPORT)**

NOTE 11 - CONTINGENT LIABILITY

Litigation

The Village is not currently involved in litigation for which the Village's legal counsel anticipates a loss.

NOTE 12 - INTERFUND TRANSACTIONS

Interfund transfers for the year ended December 31, 2008, consisted of the following, as reported in the fund financial statements:

	<u>Transfer From</u>
<u>Transfer to</u>	<u>General</u>
Nonmajor governmental funds	\$ <u>1,340,882</u>
Total	\$ <u>1,340,882</u>

NOTE 12 - INTERFUND TRANSACTIONS - (Continued)

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. All transfers were made in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.15.

Interfund transfers between governmental funds are eliminated on the government-wide statement of activities - cash basis.